



CHAPTER – IV
COMPLIANCE AUDIT

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Urban Development and Housing Department

4.1 Unfruitful expenditure on incomplete water supply work

Failure of Nagar Panchayat, Banmankhi, to assess the requirement of submersible pumps before laying of water supply pipes and provision of connections to households, resulted in unfruitful expenditure of ₹ 2.78 crore.

The Government of Bihar (GoB) launched (December 2015) *Mukhyamantri Shahari Peyjal Nishchay Yojna* (MSPNY) with the objective of providing piped water supply to every household in urban areas with a view to end their dependence on hand-pumps and other sources of potable water. The households (14,64,581 urban households), who had not yet got piped drinking water, were to be covered under the Scheme, to provide them clean drinking water in the next five years. The Scheme guidelines provide that construction of tube well was to be done first and, after its successful installation, pipe laying work was to be done, through e-tender, under supervision and monitoring (including online monitoring) of the Municipal Board, as well as and by the Urban Development and Housing Department (UD&HD) at the State level.

Scrutiny of records (November 2019) of *Nagar Parishad* (NP), Banmankhi, revealed that work related to laying of water supply pipes and connection to households, in 13 out of 17 Wards of the NP under the MSPNY, were awarded (November 2017 to May 2018) to seven different contractors and the works were to be completed within four months from the date of awarding the works, vide details given in **Table 4.1** below

Table 4.1: Details of pipe laying works in 13 wards

Sl. No.	Ward No.	No. of households covered	Contract amount (Amount in ₹)
1	1	512	32,62,673
2	2	330	15,75,183
3	4	327	23,61,576
4	5	330	21,43,045
5	6	418	27,70,493
6	7	401	17,52,672
7	8	200	15,51,976
8	10	256	29,48,642
9	12	525	13,84,298

Sl. No.	Ward No.	No. of households covered	Contract amount (Amount in ₹)
10	13	256	12,18,372
11	14	346	19,66,593
12	16	308	16,08,398
13	17	424	11,45,212
Total		4,633	2,56,89,133

(Source: Information furnished by auditee units and concerned scheme files)

As per direction (27 October 2016) of the Department, wherein it was instructed that, in class B towns, piped water supply was to be done with the help of existing infrastructure (pipe line and pumps) available at that place. In Nagar Parishad (NP), Banmankhi, a class B town, piped water supply was being done prior to 2012, in the main road of the town, by the PHED division. On 20 July 2012, the PHED transferred two motor pumps to the NP, for water supply work. However, the NP neither analyzed the capacity of these pumps, nor did it include the cost of procurement and installation of submersible pumps in the estimate of work for laying pipes. The NP presumed that two submersible pumps, transferred by the Public Health Engineering Department (PHED), Division, Banmankhi, would be sufficient for water supply in all 17 Wards of the NP.

The contractors executed the pipe-laying work and extended connection to households during March 2018 to February 2019 and the NP paid a total amount of ₹ 1.72 crore to the contractors, from the Scheme fund, during March 2018 to February 2019. However, water supply could not commence, as the submersible pumps transferred by the PHED Division, were insufficient to supply potable water in all these 17 Wards of the NP.

The NP Board accorded administrative approval (May 2019) for procurement and installation of 12 submersible pumps, with an estimated cost of ₹ 1.65 crore, for water supply in 13 Wards. The EO of the NP made a request (July 2019) to the Department to issue guidelines regarding the procurement of additional 13 submersible pumps for successful water supply. The Department did not respond to the letter of the EO till 26 June 2021.

On the matter being followed up by Audit, the EO of the NP replied (June 2021) that the Department remained indifferent towards the request of the NP and no direction was issued by the Department in this regard. The EO replied (July 2021) that the NP had procured and installed 12 pumps between 10 April 2021 and 8 June 2021 and had paid ₹ 1.06 crore to the contractors, but piped water supply was being made only in 4 out of

17 Wards only, from the pumps made available by the PHED Division. The newly procured pumps could not be put in use, as electricity connection was under process.

Moreover, the Department had already issued the detailed guidelines for implementation of the Scheme and preparing the feasibility of the scheme, proper assessment of requirement, awarding the works through e-tender *etc.* were the responsibility of the NP and not of the Department.

Thus, it is evident from the facts narrated above that the NP failed to estimate the requirement of additional pumps for water supply in 13 Wards of the NP and pipe-laying and household connection works were carried out without ensuring the availability of sufficient numbers of pumps. Besides, the NP as well as the Department failed to monitor the implementation of the Scheme which resulted in non-supply of potable water in these 13 Wards, even after a lapse of two to three years of laying of pipes and household connections and after incurring an expenditure of ₹ 2.78 crore⁵⁵. As such the intended objective of the Scheme was defeated.

The matter was reported to Government (July 2021); reminder was issued on 23 September 2021 Reply is awaited.

4.2 Loss of tax revenue

Failure of the Patna Municipal Corporation to realise Property Tax on the accurate classification of the holdings and non-initiation of action to realize the penalty amount from the owners of the holdings for suppressing material information essential for calculation of Property Tax, resulted in loss of tax revenue, amounting to ₹ 1.06 crore.

Section 127(8) of the Bihar Municipal Act, 2007, stipulates that Property Tax shall be levied by the Municipality, within a minimum of 9 *per cent* and a maximum of 15 *per cent* of the Annual Rental Value⁵⁶ (ARV) of the holdings. Further, ARV of the holdings shall be calculated as a multiple of the carpet area and the rental value fixed by the Municipality. The rental value of the holdings depends upon the (a) situation of holding⁵⁷, (b) use of holding (c) type of construction (d) type of occupancy and (e) type of non-residential use of holdings.

Further, Rule 13 of the Bihar Municipal Property Tax (Assessment, Collection, and Recovery) Rules, 2013, stipulates that it will be the responsibility of the tax payer or owner of the holding to self-assess their Property Tax and pay it to the Municipality, without waiting for a demand notice from Municipality.

⁵⁵ ₹ 1.72 crore + ₹1.06 crore = ₹2.78 crore

⁵⁶ Annual Rental Value of a holding means the gross annual rental at which a holding may reasonably be expected to be let out.

⁵⁷ Principal Main Road, Main Road or Other Road

Every assessee/taxpayer and owner of the holding is required to follow the scheme of self-declaration and self-assessment for calculation and payment of Property Tax. If any owner of the holding or assessee willfully suppresses material information essential for the assessment of Property Tax or under assesses the Property Tax, such person shall be liable for payment of difference between the amount actually payable and self-assessed tax and also fine of one hundred *per cent* of such difference amount.

Scrutiny of records (January 2020) of the Patna Municipal Corporation (PMC) revealed that PMC had classified (September 1993) roads into three categories (Principal Main Road, Main Road and Other Road) the rental values per square foot, for different classes of holdings, situated on the aforesaid three categories of roads, were fixed accordingly for calculation of ARV.

Scrutiny of the records of 102 test-checked holdings, showed that although five holdings were actually situated on Principal Main Roads, their ARs had been calculated on the basis of rates prescribed for the Main Roads/Other Roads. The rental value was calculated at a lower rate, as the rate per square foot, of the holdings situated in the Main Road/Other Roads, was lesser than that of holdings situated on the Principal Main Roads. Consequently, Property Tax, amounting to ₹ 85.27 lakh (*Appendix 4.1*)⁵⁸ was short realised by PMC, for the period from FY 1994-95 to FY 2019-20, from the owners of the holdings.

Further, the owners of the aforesaid five holdings had suppressed material information i.e. situation of the holdings on the Principal Main Road. Therefore, the PMC had to realise penalty, amounting to ₹ 20.90 lakh (*Appendix 4.2*), from FY 2013-14⁵⁹ onwards, from the owners of the holdings. However, PMC did not realise this penalty.

The matter was pointed out to the Municipal Commissioner, PMC, but no reply had been furnished (as of June 2021). It was, however, observed from the Self-Assessment Form, submitted by owners of two⁶⁰ holdings out of the aforesaid five holdings, that these two holdings had been correctly classified, from 'other roads' to 'Principal Main Road' and, Property Tax was accordingly being paid from the financial year 2020-21. This indicated that, prior to financial year 2020-21, the calculation of the Property Tax was not proper.

Thus, the failure of the Municipal Commissioner to realise Property Tax on the accurate classification of the holdings and not initiating any action to

⁵⁸ *Annual Rental Value (ARV) = carpet area x rental value x occupancy factor x multiplying factor*

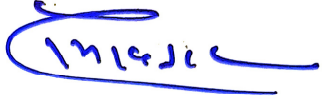
⁵⁹ *Self-assessment scheme of the holdings was started from the financial year 2013-14.*

⁶⁰ *MS Sujata Hotel Pvt. Ltd, R- Block, Patna (2 holdings)*

realise the penalty amount from the owner of the holdings for suppressing material information essential for calculation of Property Tax, was in violation of provisions of the Bihar Municipal Act and resulted in the loss of Property Tax amounting to ₹ 1.06 crore⁶¹.

The matter was reported to Government (July 2021), and reminder was issued on 21 September 2021. Reply is awaited.

Patna
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⁶¹ ₹ 85.27 lakh + ₹ 20.90 lakh = ₹ 106.17 lakh i.e. ₹ 1.06 crore

